

## **INSURANCE FRAUD - A Consumer's Guide to Insurance Fraud**

### **"WHAT YOU SHOULD KNOW!!"**

Insurance fraud is increasing dramatically and costs consumers billions annually. Individuals committing fraud have become more sophisticated in their approaches, making the crime more difficult to detect.

The Tennessee Department of Commerce and Insurance is dedicated to combating this crime. Our Consumer Insurance Services section investigates insurance fraud and is available to help you with your insurance questions or problems. However, our staff cannot protect you in every situation. This brochure lists several tips on how to shop for insurance and describes key examples of common fraud tactics. Our hope is that educated consumers will not fall prey to fraudulent schemes.

If you suspect insurance fraud, or have questions concerning insurance companies or agents, please contact our Consumer Insurance Services section. With your help, we will eliminate insurance fraud in Tennessee.

### **CONSUMER INSURANCE SERVICES**

This section investigates consumer complaints involving life and health insurance as well as property and casualty insurance. We have insurance investigators in this section to assist you with concerns and/or questions. In addition to our central office in Nashville, we also have four (4) regional offices located in Chattanooga, Knoxville, Johnson City and Memphis.

For contact and information, please call our toll free number: 1-800-342-4029 or you can reach one of our regional offices at:

**Nashville** (615) 741-2218  
**Chattanooga** (423) 634-6373  
**Johnson City** (423) 434-6416  
**Knoxville** (423) 594-6162  
**Memphis** (901) 543-7290

The Fraud & Special Investigations Unit investigates insurance company and agent fraud. This unit also has responsibilities related to Worker's Compensation Anti-Fraud Filings and Annual Reports as well as investigations of employer related fraud.

For contact and information, please call: 1-800-792-7573 or (615) 532-5341

The Insurance Assistance Office for Seniors provides general insurance information and makes referrals to other agencies for Senior Citizens and others who are eligible for Medicare. Medicare Supplements and other senior health insurance coverage information is available. Presentations to groups are available upon request.

For contact and information, please call: 1-800-525-2816 or (615) 741-4955

The Health Care Fraud and Abuse Program was established through a federal grant awarded to the Department of Commerce and Insurance. The intent of the grant is to promote cooperation between citizens, private industry, and law enforcement agencies fighting health care fraud and abuse in Tennessee through increased education. Presentations are available to the public and industry groups upon request.

For contact information, please call: 1-800-525-2816 or (615) 253-3055

## **EXAMPLES OF INSURANCE FRAUD**

**Twisting:** Insurance agents usually receive their largest commissions for the first year a policy is in effect, with lower commissions in later years. For this reason, some agents may "twist" the truth and urge you to change policies or companies. This happens most frequently with life insurance policies. However, you should be wary of changing any of your policies because there could be drawbacks, for example: (1) Some policies may include a benefit waiting period. (2) Some health insurance policies may include a pre-existing condition clause. This clause may state that, for a specified period, benefits are not payable for illnesses diagnosed before the effective date of the policy.

**Sliding:** Sliding occurs when an unethical agent attempts to sell you coverage you either don't want, or don't need. They do this by telling you that the coverage is a part of a "package." They may not even tell you about the extra coverage at all. Sometimes agents will "slide" in extra coverage that carries a high commission along with the low commission coverage you are purchasing. The most common items that agents "slide" are accidental death coverage, guaranteed renewable term life insurance, or motor club membership.

**Churning:** Churning occurs when an agent attempts to sell an additional policy to a person who already has a policy with a cash value. The agent may promise the person a new policy at a low cost. The reason the policy costs so little is because the rest of the premium is being drawn from the first policy's cash value. The new policy eventually will deplete the cash value of the first policy. The policyholder may then be left trying to come up with additional funds to pay both policies, or coverage will lapse.

## **SHOPPING TIPS**

Common insurance scheme situations:

An agent fails to remit premiums to the insurance company, leaving the customer without coverage. Protect yourself from this type of fraud by making your insurance premium check or money order payable to the insurance company, not the agent or agency.

The agent claims to represent federal or state government.

The agent sells fabricated insurance policies.

Before purchasing a policy, compare prices and benefits. Ask the agent questions and make certain you understand the policy before you pay your first premium.

Purchase insurance from licensed companies and agents. Unauthorized insurance operations are illegal, and their policyholders are unprotected if the company goes bankrupt or refuses to pay your claim. Contact the Insurance Division to verify if the company has a Tennessee License by calling 1-800-342-4029. You may verify an agent's license by calling the Agent Licensing Section

at 1-888-416-0868. Check the agent's and the company's record. Most agents are honest and truly want to serve you. However, a low premium, while beneficial, will not do you any good if the service you receive is bad or if the company refuses to honor your claim.

Fill out your application carefully. Incorrect, incomplete, or false information on your application can jeopardize your insurance coverage. It is a crime to supply false information on an insurance application or to file a false claim. Don't let an agent convince you to say anything or file information that is not true and correct.

Expect to receive your policy within a few weeks. If you do not receive it, contact the company. Always read your policy immediately to make certain it contains the coverage you discussed. If you are dissatisfied, you may return the policy to the company within the allotted inspection period for a full refund of premium, where applicable.

The Tennessee Department of Commerce & Insurance is here to serve the consumers of Tennessee. Our Insurance Division can be a source of unbiased information and assistance to you when shopping for your insurance needs.

If you have a complaint against an insurer, it is always best to contact your insurance company first to attempt to settle the matter. Most insurance companies have policyholder service offices set up precisely to handle such questions. If you still are not satisfied, contact this department. We have complaint investigators in our Consumer Insurance Services section to assist you with your concerns. Although they cannot represent you legally against an insurance company or adjuster, they can make appropriate investigation into potential violations of insurance laws or regulations based upon your complaint.

**State of Tennessee, Department of Commerce & Insurance  
Division of Insurance, Insurance Education & Outreach  
500 James Robertson Parkway, 4th Floor  
Nashville, TN 37243**

HCFA